

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW HAMPSHIRE

Coach, Inc. and  
Coach Services, Inc.

v.

Case No. 10-cv-141-LM

Gata Corporation  
and Martin Taylor

**O R D E R**

Before the court is defendants' motion to reconsider the court's order of April 26, 2011, which granted summary judgment to Coach, Inc. and Coach Services, Inc. (collectively "Coach") on Count I of their complaint against Gata Corporation and Martin Taylor. Coach objects. For the reasons that follow, defendants' motion for reconsideration is granted, but even so, Coach is entitled to summary judgment on its claim for contributory trademark infringement.

**Withdrawal of Admissions**

On December 15, 2010, Coach served defendants with a set of requests for admissions. Under a cover letter dated January 19, 2011, defendants' counsel served Coach with answers to its requests. By letter dated January 27, 2011, Coach's counsel advised defendants' counsel that the answers were untimely, and

that Coach would, accordingly, treat the matters covered in its requests as admitted, by operation of Rule 36(a)(3) of the Federal Rules of Civil Procedure ("Federal Rules") unless the court made a determination to the contrary. Defendants' counsel did not respond to Coach's counsel. Moreover, defendants did not move the court to enlarge the time for serving answers to Coach's requests for admissions, and have never formally moved to withdraw their admissions.

Having given defendants fair warning of its intent to rely on their admissions, Coach moved for summary judgment on Count I approximately two weeks later, on February 14, 2010. In its summary judgment motion, Coach indicated that it was relying, in part, on the matters it deemed to be admitted as a result of defendants' untimely response to its requests for admissions. In its objection to Coach's summary judgment motion, defendants conceded that their answers to Coach's requests for admission may have been two days late and, in reliance on Rule 36(b) and Pritchard v. Dow Agro Sciences, 255 F.R.D. 164 (W.D. Pa. 2009), sought to withdraw and/or amend their admissions.

The rule on which defendants rely provides, in pertinent part: "A matter admitted under this rule is conclusively established unless the court, on motion, permits the admission to be withdrawn or amended." Fed. R. Civ. P. 36(b) (emphasis

added). In Pritchard, on which defendants also relied, the facts were these: (1) the plaintiffs' answers to defendants' requests for admissions were due on July 21, 2008, 255 F.R.D. at 168; (2) on that date, the plaintiffs asked for, and received from the defendants, a thirty-day enlargement of time to serve their answers, id.; (3) on the last day of the agreed-upon time for serving answers, August 20, the plaintiffs' counsel left a phone message with the defendants' counsel indicating that he would mail answers later that day or the next morning, id.; (4) on August 25, the defendants' counsel received the plaintiffs' answers along with a letter apologizing for the delay, id. at 169; (5) at an August 28 case-management conference, the defendants' counsel notified the plaintiffs' counsel and the court of the lateness of the plaintiffs' answers, and told the plaintiffs' counsel "that the result of [plaintiffs'] untimely response was that the [requests for admissions] were deemed admitted, unless Plaintiffs filed a motion to withdraw," id.; and (6) on September 15, the "Plaintiffs filed [a] Motion to Withdraw Admissions and to Extend Time for Filing," id. at 170. After conducting an extensive analysis under Rule 36(b), the court in Pritchard granted the plaintiffs' motion to withdraw their admissions. Id. at 174.

Based on the "on motion" language in Rule 36(a) and the fact that the plaintiffs in Pritchard filed an actual motion to withdraw their admissions, this court held that because defendants never formally moved to withdraw their admissions, the request to do so presented in their objection to Coach's summary judgment motion was insufficient.

Now, in their motion for reconsideration, defendants argue that the court committed a manifest error of law by failing to allow them to withdraw and/or amend their answers to Coach's requests for admissions. Given that decisions concerning the withdrawal of admissions are subject to the discretion of the trial court, see Fed. R. Civ. P. 36(b); Siguel v. Allstate Life Ins. Co., 48 F.3d 1211 (1st Cir. 1995) (unpublished table decision), 1995 WL 98240, at \*4 (citing Farr Man & Co. v. M/V Rozita, 903 F.2d 871, 876 (1st Cir. 1990)), it is not so clear that failure to allow the withdrawal of an admission could constitute a manifest error of law. But, defendants are correct in pointing out that several courts have held that a formal motion to withdraw is not necessary. See 7 James Wm. Moore, Moore's Federal Practice § 36.13, at 36-45 (3d ed. 2010) ("A formal written motion to withdraw is not necessary."); United States v. Petroff-Kline, 557 F.3d 285, 294 (6th Cir. 2009) ("Despite its failure to have filed a formal motion to withdraw

its claimed admissions, the Government's filing of a slightly overdue response effectively served as such a withdrawal."); Kirtley v. Sovereign Life Ins. Co. of Cal. (In re Durability, Inc.), 212 F.3d 551, 556-57 (10th Cir. 2000) ("we have held that a response to a motion for summary judgment arguing in part that the opposing party should not be held to its admissions can constitute a Rule 36(b) motion to withdraw those admissions) (citing Bergemann v. United States, 820 F.2d 1117, 1120-21 (10th Cir. 1987)).

Moreover, the Federal Rules indicate a preference for resolution on the merits. See Fed. R. Civ. P. 36(b). And, "courts are particularly responsive to allowing late answers to requests for admission when summary judgment is involved." Lucas v. Higher Educ. Assistance Found. (In re Lucas), 124 B.R. 57, 58 (Bankr. N.D. Ohio 1991) (citing St. Regis Paper Co. v. Upgrade Corp., 86 F.R.D. 355 (W.D. Mich. 1980)). Indeed, "[e]ntry of dismissal as a discovery sanction is a 'drastic' approach that is 'disfavored absent the most egregious circumstances.'" Sadler v. State Farm Fire & Cas. Co., No. 08cv0951, 2008 WL 4960199, at \*1 (W.D. Pa. Nov. 19, 2008) (quoting United States v. \$8,221,877.16 in U.S. Currency, 330 F.3d 141, 161 (3d Cir. 2003)). While defendants in this case were not nearly as attentive to the litigation of the admissions

issue as the plaintiffs in Pritchard were, resolution of a summary judgment motion against them is, arguably, too stringent a sanction for their lack of diligence. Given the paramount importance of resolving disputes on the merits when possible, and out of an abundance of caution, the court grants defendants' motion for reconsideration to the extent that it allows defendants to withdraw their admissions and deems their belated answers to be timely served.

Allowing defendants' answers to Coach's requests for admissions, however, does not necessarily entitle defendants to relief from the court's summary judgment order. Rather, the court must now perform a summary judgment analysis based upon the undisputed evidence that remains.

#### **Summary Judgment Standard**

Summary judgment shall be granted "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(a). "The object of summary judgment is to "pierce the boilerplate of the pleadings and assay the parties' proof in order to determine whether trial is actually required.'" Dávila v. Corporación de P.R. para la Diffusión Pública, 498 F.3d 9, 12 (1st Cir. 2007) (quoting Acosta v. Ames Dep't Stores, Inc., 386 F.3d 5, 7 (1st Cir. 2004)). "[T]he court's task is not to weigh

the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial." Noonan v. Staples, Inc., 556 F.3d 20, 25 (1st Cir. 2009) (citations and internal quotation marks omitted).

"Once the moving party avers an absence of evidence to support the non-moving party's case, the non-moving party must offer 'definite, competent evidence to rebut the motion,'" Meuser v. Fed. Express Corp., 564 F.3d 507, 515 (1st Cir. 2009) (citing Mesnick v. Gen. Elec. Co., 950 F.2d 816, 822 (1st Cir. 1991)), and "cannot rest on 'conclusory allegations, improbable inferences, [or] unsupported speculation,'" Meuser, 564 F.3d at 515 (quoting Welch v. Ciampa, 542 F.3d 927, 935 (1st Cir. 2008)). When ruling on a party's motion for summary judgment, a trial court "constru[es] the record in the light most favorable to the nonmovant and resolv[es] all reasonable inferences in [that] party's favor." Meuser, 564 F.3d at 515 (citing Rochester Ford Sales, Inc. v. Ford Motor Co., 287 F.3d 32, 38 (1st Cir. 2002)).

### **Background**

As the court noted in its previous summary judgment order, along with their failure to move to withdraw their admissions, defendants have also failed to properly oppose Coach's statement of undisputed facts by "incorporate[ing] a short and concise

statement of material facts, supported by appropriate record citations, as to which the opposing party contends a genuine dispute exists so as to require a trial." LR 7.2(b) (2) .

Rather, they operate as if their denials of various requests for admissions count as actual affirmative summary judgment evidence. In any event, the following recitation of the facts to which the relevant law will be applied is drawn largely from Coach's properly supported statement of undisputed facts. However, as explained above, the court also draws upon defendants' answers to Coach's requests for admissions.<sup>1</sup>

Coach manufactures and sells high-end purses, handbags, and other similar items. It also holds an extensive portfolio of intellectual property including trademarks, trade dress, and copyrights.

Gata operates a flea market in Derry, New Hampshire ("Flea Market"). Taylor is Gata's sole owner and shareholder. Taylor Dep. (doc. no. 38-2) 7.<sup>2</sup> He also works regularly at the Flea Market. Id. at 18. Among other things, he runs the ticket

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<sup>1</sup> As a practical matter, the principal effect of allowing defendants to amend their admissions is the loss of several admissions concerning defendants' knowledge of counterfeit merchandise at the Flea Market from 2005 through the date of the first raid on the Flea Market in 2009.

<sup>2</sup> Except where otherwise noted, all references to Martin Taylor's deposition are to the more complete version appended to defendants' objection to Coach's motion for summary judgment.

booth and patrols the Flea Market to check for illegal merchandise. Id.

In 2005, Chinese vendors from New York first began renting spaces at the Flea Market. Taylor Dep. 46. Those vendors have since come to predominate over vendors Martin refers to as the "yard sale people." Taylor Dep. 47:1. With the increase in Chinese vendors from New York has come a corresponding increase in the number of purses offered for sale at the Flea Market. Id. at 66-68.

The Flea Market requires purse vendors to pay a rental fee for booth space that is higher than the fee paid by vendors who do not sell purses. Horton Dep. (doc. no. 31-9) 18. Counterfeit Coach purses are distinguishable from authentic ones on the basis of both workmanship and price, with authentic Coach purses selling for \$300, on average, and counterfeits selling at the Flea Market for less than \$20. Walden Dep. (doc. no. 31-10) 12.

The Flea Market has been raided by federal and state law-enforcement officers on at least four occasions, starting in June of 2009.<sup>3</sup> Defs.' Admiss. (doc. no. 38-3) # 17. Those raids resulted in the seizure of, among other things, counterfeit Coach purses. Id. # 18. The raids also resulted in the arrest,

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<sup>3</sup> Subsequent raids took place in October and December of 2009, and January of 2010.

prosecution, and conviction of several vendors for selling, among other things, counterfeit Coach merchandise. Id. ## 19-20. In addition, surveys conducted by Powers & Associates (a private detective agency), the federal Bureau of Immigration and Customs Enforcement, and the Derry Police have enumerated dozens of vendors offering, collectively, thousands of counterfeit items for sale at the Flea Market in early 2008, May of 2008, the end of 2008, June of 2009, October of 2009, and December of 2009. Powers Decl. (doc. no. 31-6) ¶¶ 8, 9, 10, 12, 15, 16, 17. The last survey in 2008, both of the surveys in October of 2009, and the survey in December of 2009 all revealed counterfeit Coach merchandise being offered for sale at the Flea Market. Id. at 10, 15, 16.

By letter dated August 4, 2009, Coach's manager of intellectual property informed Taylor of Coach's concern over the sale of counterfeit Coach purses at the Flea Market and directed Taylor to take various steps to curtail those sales. Taylor Dep., Ex. 7 (doc. no. 31-5, at 28). Prior to the first raid, defendants had no procedures in place to prevent the sale of counterfeit merchandise. Defs.' Admiss. # 22. Even after the raid, and after receiving Coach's letter, defendants never provided Flea Market employees with any training on how to

detect counterfeit merchandise or how to uncover surreptitious sales of counterfeit merchandise. Id. ## 28, 29.

At some point after the initial raid, defendants posted a sign stating that no Coach merchandise could be sold at the Flea Market. Defs.' Admiss. # 25; Taylor Dep. 69. Taylor testified that the Flea Market adopted a policy that any vendor seen selling counterfeit merchandise would have to give up his or her spot, Taylor Dep. 69-70, but that no vendor had ever had his or her spot taken away under that policy, id. at 70. He also testified about an inspection of vendors' booths in August of 2010 that resulted in the confiscation of counterfeit goods but no ejections of the offending vendors. Id. at 73-75. And, at no point did defendants ever inspect vendors' merchandise before allowing them to set up. Defs.' Admiss. # 26; Taylor Dep. 95.

After the initial raid in June of 2009, surveys continued to show that vendors at the Flea Market were offering counterfeit Coach merchandise for sale. Powers Decl. 15, 16, 17. In a November 3, 2010, deposition, Gata employee Richard Horton testified that between early April and early July of 2010, he saw purses and wallets with Coach trademarks offered for sale at the Flea Market. Horton Dep. (doc. no. 31-9) 22-31. He further testified that when he found vendors with counterfeit goods, he confiscated the merchandise and gave it to Taylor.

Id. at 32-34. Horton estimated that over the course of the year preceding his deposition, he confiscated counterfeit goods from vendors, and turned them over to Taylor, between twenty-five and fifty times. Id. at 35. Horton explained that vendors generally kept counterfeit goods in their vehicles, id. at 31, and that he observed vendors retrieving counterfeit goods from their vehicles before selling them to customers, id. at 32. Even so, defendants never inspected vendors' vehicles to determine whether they were bringing counterfeit goods to the Flea Market. Taylor Dep. 72.

On March 20, 2010, Andrea Powers of Powers & Associates visited the Flea Market at Coach's request. Powers Decl. ¶ 25. That day, Powers was able to purchase counterfeit Coach merchandise from four vendors, all of whom concealed the counterfeit merchandise in their booths, and took care to wrap Powers' purchases and place them inside her tote bag, out of view. Id. ¶ 27. On one visit to the Flea Market after the initial raid, while Powers was waiting to speak with a vendor about purchasing a counterfeit Coach purse, she overheard an employee of the Flea Market tell a vendor with counterfeit merchandise on display that such goods had to be kept under the table rather than out in the open. Id. ¶ 24.

This suit arises from Coach's allegations that numerous vendors at the Flea Market have sold goods that infringe and/or tarnish their trademarks, trade dress, and/or copyrights. In Count I of its complaint, the only claim at issue here, Coach asserts that Gata and Taylor are liable for contributory trademark infringement because, with actual knowledge of or willful blindness to the infringing conduct of Flea Market vendors, they have permitted those vendors to sell items that infringe Coach's trademarks.

### **Discussion**

Coach moves for summary judgment on Count I, arguing that on the undisputed facts, it is entitled to judgment as a matter of law that defendants are liable for contributory trademark infringement. Without properly identifying any factual disputes that would preclude summary judgment, defendants argue that: (1) summary judgment is rarely granted in willful blindness cases; (2) the standard for establishing willful blindness is exacting; and (3) the evidence does not support summary judgment. Defendants' third argument is based, in large measure, on a page-long list of "important denials" contained in its answer to Coach's requests for admissions and testimony from Taylor's affidavit and deposition. But, as the court has already noted,

defendants nowhere identify any specific genuine dispute over a material fact that would preclude summary judgment for Coach.

A. Contributory Trademark Infringement

The Lanham Act identifies several forms of conduct that constitute actionable trademark infringement. See 15 U.S.C. §§ 1114(a) & 1125(a). Liability under the Lanham Act may be imposed not just on direct infringers, but also on those who induce or facilitate the infringing conduct of others. See Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 853-54 (1982)). In a case that involved claims that a generic drug manufacturer was liable for contributory trademark infringement, the United States Supreme Court explained:

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.

Id. at 854 (citing William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526 (1924); Coca-Cola Co. v. Snow Crest Bevs., Inc., 64 F. Supp. 980 (D. Mass. 1946)). The doctrine of contributory trademark infringement has been extended from the factual context in which it first arose into settings substantially analogous to the one presented here.

In a case involving a claim of contributory trademark infringement brought against the operator of a flea market that included vendors selling infringing goods, the Seventh Circuit held “that the Inwood Labs. test for contributory liability applie[d]” and that the flea-market operator could “be liable for trademark violations by [a vendor] if it knew or had reason to know of them.” Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992). The court went on to hold that the knowledge requirement could be met by a demonstration of willful blindness, id. (citation omitted), which it defined as follows: “To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.” Id. (citation omitted). The court further explained that “the ‘reason to know’ part of the standard for contributory liability requires [the defendant] to understand what a reasonably prudent person would understand.” Id. Ultimately, the court of appeals vacated the trial court’s decision in favor of the trademark owner, after a bench trial, because the trial court used a standard for knowledge that was more akin to negligence than willful blindness. Id.

In another flea-market case, the Ninth Circuit reversed the trial court’s dismissal of a claim for contributory trademark infringement against a swap meet, explaining that “Hard Rock

Cafe's application of the Inwood test is sound; a swap meet can not disregard its vendors blatant trademark infringements with impunity." Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 265 (9th Cir. 1996).

In Tiffany (NJ) Inc. v. eBay Inc., a case in which the defendant was the operator of an on-line marketplace, the Second Circuit restated the Inwood test to make it more applicable to an accused contributory infringer that provides services rather than goods:

[W]hen applying Inwood to service providers, there are two ways in which a defendant may become contributorially liable for the infringing conduct of another: first, if the service provider "intentionally induces another to infringe a trademark," and second, if the service provider "continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement."

600 F.3d 93, 106 (2d Cir. 2010) (quoting Inwood, 456 U.S. at 854). In the district court order holding the defendant not to be liable for contributory infringement that was affirmed in Tiffany, the trial judge explained: "Willful blindness requires 'more than mere negligence or mistake' and does not lie unless the defendant knew of a high probability of illegal conduct and purposefully contrived to avoid learning of it, for example, by failing to inquire further out of fear of the result of the inquiry." Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463,

515 (S.D.N.Y. 2008) (quoting Nike Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1369-70 (S.D. Ga. 2003)).

B. Defendants' Arguments Against Summary Judgment

Based on their objection to Coach's motion for summary judgment, defendants appear to concede the underlying acts of direct trademark infringement by Flea Market vendors, in violation of 15 U.S.C. §§ 1114(a) and 1125(a), on which Count I is based. Their objection to summary judgment rests on one factual argument and one legal argument. Factually, they argue that Coach has not met its burden of producing evidence that they possessed the requisite level of specific knowledge of infringing activity to be held liable for contributory infringement. Legally, they argue that Coach overstates the amount of affirmative action they were required to take to police Coach's trademarks. The court considers each argument in turn.

1. Defendants' Knowledge of Infringement

Defendants' factual argument is based on the opinions in Tiffany, and in particular, the holding that "[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods." 600 F.3d at

107. According to defendants, Coach has failed to produce evidence that they had anything more than general knowledge of infringing activities at the Flea Market. The court does not agree.

As a preliminary matter, the court notes that Tiffany, and the two cases on which it relies in its discussion of general knowledge, Inwood and Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984), involved situations where the infringing activity and the alleged contributory infringer were physically remote from one another. In Tiffany, the direct infringers were sellers using the defendant's online marketplace. 600 F.3d at 96. In Inwood, the direct infringers were pharmacists who dispensed a generic drug manufactured by the defendant. 456 U.S. at 846. In Sony, the direct infringers were people who used devices manufactured by the defendant to record television programs in their homes. 464 U.S. at 419. Here, by contrast, the direct infringers are vendors who bring their merchandise to a venue operated and patrolled by defendants on a daily basis. The issue of proximity, in turn, is related to the issue of control, which is a key component of the analysis:

[T]he Ninth Circuit concluded that Inwood's test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. Lockheed Martin

Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999); see also id. ("Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark permits the expansion of Inwood Lab.'s 'supplies a product' requirement for contributory infringement.").

Tiffany, 600 F.3d at 104-05. Suffice it say that the operator of a flea market that rents spaces to vendors exercises substantially more control over potential direct infringers than the defendants in Tiffany, Inwood, and Sony exercised over the direct infringers in those case.

Given the circumstances of this case, Coach has met its burden of producing undisputed evidence of defendants' knowledge of the underlying infringement. It is undisputed that: (1) "Prior to the 2009 and 2010 raids on the . . . Flea Market by federal and local law enforcement officials, the Counterfeit Merchandise offered for sale at the Flea Market, including the Counterfeit Coach Merchandise, was openly displayed for sale by vendors at the . . . Flea Market," Defs.' Admiss. # 36; (2) a reasonable person could have easily identified the counterfeit goods offered for sale at the Flea Market based on their dramatically low prices;<sup>4</sup> (3) after the initial raid, Richard Horton saw several different items of counterfeit Coach

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<sup>4</sup> As Hard Rock Cafe makes clear, the "reason to know" standard is based on what a reasonably prudent person would understand, see 955 F.2d at 1149, not what would be understood by a person as uninformed as Taylor makes himself out to be in his affidavit, see Defs.' Obj., Ex. A (doc. no. 38-1) ¶¶ 2-5.

merchandise offered for sale at the Flea Market; (4) both Horton and Taylor actually confiscated counterfeit merchandise from vendors at the Flea Market; and (5) at least one Flea Market employee actively instructed a vendor on how to sell counterfeit merchandise while avoiding detection.

Beyond that, once law-enforcement agencies began raiding the Flea Market, arresting vendors, and seizing counterfeit merchandize, any lack of specific knowledge on defendants' part could only have resulted from willful blindness; those raids provided defendants with a veritable roadmap to infringing vendors and merchandise. Similarly, the fact that defendants did not train the employees tasked with detecting counterfeit merchandise, and their failure to inspect vendors' vehicles, count as deliberate failures to investigate suspected infringing activity, see Hard Rock Cafe, 955 F.2d at 1149, or a purposeful contrivance to avoid learning of infringing activity, see Tiffany, 576 F. Supp. 2d at 515. Either a deliberate failure to investigate or a purposeful contrivance to avoid learning of infringing activity is sufficient to establish willful blindness. In sum, the court concludes that Coach has produced undisputed evidence that defendants rented spaces at the Flea Market to vendors it knew, or should have known, were engaging in infringing activity.

## 2. Defendants' Obligation to Prevent Infringement

Defendants' principal argument is the one addressed above, i.e., that Coach has failed to produce undisputed evidence that they knew about, or should have known about, the infringing activity of vendors at the Flea Market. Defendants also appear to raise - but not fully develop - a second argument related to the degree to which they were legally obligated to monitor and control the activities of their vendors. In defendants' view, the various steps they took to clamp down on infringing activity after the 2009 raid were sufficient under the law. In so arguing, defendants rely on Tiffany for the proposition that the law did not require them to further police Coach's trademarks. In terms of the elements of Coach's cause of action, the obligation of a person in defendants' position to prevent infringement by another would appear to derive from the rule that one who has knowledge of the infringing acts of another is liable for that other person's infringement when he or she "continues to supply [a] [service] to [the infringer]."  
Tiffany, 600 F.3d at 106.

In Tiffany, there were two categories of underlying infringers: (1) those that eBay knew to be selling counterfeit goods; and (2) those that Tiffany said eBay should have known to be selling counterfeit goods. The former are the proper analog

to the infringers in this case, given the undisputed fact that defendants had sufficient knowledge of the infringing acts of the Flea Market's purse vendors. With respect to those eBay knew to be selling counterfeit goods, as soon as "eBay [had] reason to know that particular listings were for counterfeit goods, eBay did not continue to carry [their] listings." 600 F.3d at 106. Moreover:

The [trial] court found that eBay's practice was promptly to remove the challenged listing from its website, warn sellers and buyers, cancel fees it earned from that listing, and direct buyers not to consummate the sale of the disputed item. The court therefore declined to hold eBay contributorially liable for the infringing conduct of those sellers.

Id. (citations to the district court order omitted). The plaintiff in Tiffany did not challenge that ruling, and the court of appeals agreed with the trial court. Id.

Here, defendants' handling of the vendors it knew or should have known to be infringing Coach's trademarks falls far short of the standard the Tiffany Court held to be sufficient to avoid liability for contributory infringement. It is undisputed that after the first raid on the Flea Market, defendants took only two steps to prevent the sale of counterfeit Coach merchandise: posting a sign stating that no Coach merchandise could be sold at the Flea Market and conducting walk-throughs to see whether any counterfeit Coach merchandise was being sold. It is also

undisputed that: (1) defendants did not inspect vendors' merchandise before allowing them to set up; (2) defendant did not inspect vendors' vehicles, notwithstanding Richard Horton's direct observation that vendors often used their vehicles to store counterfeit merchandise out of sight; (3) the employees conducting walk-throughs of the Flea Market were not trained in how to detect counterfeit merchandise or sales thereof; and (4) on dozens of occasions, Flea Market employees confiscated counterfeit goods while allowing the sellers of those goods to keep their spots at the Flea Market.

Unlike eBay, which disallowed infringers from using its service, defendants in this case have never asked a vendor to leave the Flea Market for selling counterfeit Coach items. This is so, notwithstanding Taylor's testimony that after the first raid, the Flea Market instituted a policy of evicting vendors for selling counterfeit goods. Moreover, it is undisputed that two of the Flea Market's employees have caught vendors in the act of selling counterfeit name-brand merchandise on at least twenty-five occasions. It is further undisputed that on at least one occasion, a Flea Market employee counseled a vendor on how to hide counterfeit merchandise in his or her booth. The fact that a Flea Market employee actually taught a vendor how to conceal infringing merchandise drifts perilously close to, and

may well cross, the line between allowing known infringers to use the Flea Market's services and actually inducing infringement.

The bottom line is this. Like the defendant in Tiffany, defendants in this case knew that vendors were using the service they provided to conduct infringing activities. The defendant in Tiffany barred those known infringers from using its service. Gata and Taylor did not.

Because the undisputed factual record demonstrates that defendants continued to supply the services of the Flea Market to vendors it knew to be engaging in trademark infringement and/or vendors it had reason to know were engaging in trademark infringement, Coach is entitled to judgment as a matter of law on Count I.

### **Conclusion**

For the reasons given, the court grants defendants' motion for reconsideration (doc. no. 57), but only to the extent allowing defendants to withdraw and amend their answers to Coach's requests for admissions. Having taken that step, however, the court still rules that Coach is entitled to judgment as a matter of law on Count I. Elimination of several of the admissions upon which Coach and the court previously relied may have an impact on the span of time for which damages

are available, but even without those admissions, Coach has produced undisputed evidence that defendants are liable for contributory trademark infringement. Accordingly, the grant of summary judgment to Coach on Count I still stands.

SO ORDERED.



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Landya McCafferty  
United States Magistrate Judge

June 9, 2011

cc: Kelly Martin Malone, Esq.  
Thomas Morgan, Jr., Esq.  
Adam M. Ramos, Esq.  
Jeffrey K. Techentin, Esq.